Austria
Autriche
Österreich

Report Q205

in the name of the Austrian Group
by Marc KESCHMANN

Exhaustion of IPRs in cases of recycling and repair of goods

Questions

I) Analysis of the current statutory and case laws

1) Exhaustion

In your country, is exhaustion of IPRs provided either in statutory law or under case law with respect to patents, designs and trademarks? What legal provisions are applicable to exhaustion? What are the conditions under which an exhaustion of IPRs occurs? What are the legal consequences with regard to infringement and the enforcement of IPRs?

Legal basis of exhaustion

Patents: In Austria, exhaustion of patent rights is not expressly stipulated by legal provisions, with one exception: para. 22c of the Austrian Patent Act, which exclusively refers to patents for biological material. If patented biological material is put on the market, the effect of the patent does not extend to such material which was created by generative of vegetative reproduction, if the reproduction was the purpose for which the material was put on the market.

The principle of exhaustion of patent rights is generally accepted by case law.

Trademarks: Exhaustion of trademark rights is mentioned in para. 10b of the Austrian Trademark Act.

Designs: Exhaustion of design rights is mentioned in para. 5a of the Austrian Design Act.

Conditions under which an exhaustion of IPRs occurs:

Exhaustion occurs in relation to goods, which have been put on the market in the EEA by the proprietor or with his consent.

With regard to trademark rights, there is one exception: Exhaustion does not occur where there exist legitimate reasons for the trademark owner to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

Regarding the question, when and under which circumstances specific goods have to be considered as having been put on the market, the Austrian Courts follow the case law developed by the ECJ.

2) International or national exhaustion

Does the law in your country apply international exhaustion for patents, designs or trademarks? If yes, are there any additional conditions for international exhaustion compared to regional

or national exhaustion, such as a lack of marking on products that they are designated only for sale in a specific region or country or the non-existence of any contractual restrictions on dealers not to export products out of a certain region? What is the effect of breach of contractual restrictions by a purchaser?

If your law does not apply international exhaustion, is there regional exhaustion or is exhaustion limited to the territory of your country?

In case your country applies regional or national exhaustion, who has the burden of proof regarding the origin of the products and other prerequisites for exhaustion and to what extent?

Regional limits of exhaustion

There is EEA–wide exhaustion.

Burden of proof

Generally, the burden of proving that the conditions of exhaustion are met has to be borne by the defendant who is accused of infringing the IPR.

However, the ECJ has decided that there is a shifting of the burden of proof, if the trademark owner puts the goods on the market using an exclusive distribution system and the third party is able to prove that there is an actual risk that the markets are sealed off if he has to furnish that proof. In this case the trademark owner bears the onus of proving that the goods were put on the market outside the EEA. If the trademark owner manages to furnish this proof, then it is up to the third party in turn to prove that the trademark owner has consented to the further distribution of the goods in the EEA.

3) *Implied license*

Does the theory of implied license have any place in the laws of your country? If so, what differences should be noted between the two concepts of exhaustion and implied license?

The principle of granting an implied license as a basis of exhaustion does not apply under Austrian law.

The presence of an implied license is assumed, however, if the proprietor of a method patent sells a device, which is intended to perform the protected method. Pursuant to the obvious purpose of the device it must therefore regularly be assumed that the seller has given the acquirer permission to use the protected method by means of the device, even if an explicit license agreement has not been concluded.

4) *Repair of products protected by patents or designs*

Under what conditions is a repair of patented or design-protected products permitted under your national law? What factors should be considered and weighed? Does your law provide for a specific definition of the term "repair" in this context?

Austrian national law is silent on the issue of repair of products protected by patents or designs.

There is no recent case law dealing with the question whether and under what conditions repair of patented or design-protected products is permitted. Generally, it has to be stated that the question whether there is patent infringement or whether the patent rights are exhausted is closely related to the question of contributory infringement. Regulations regarding contributory infringement have recently been incorporated into the Austrian Patent Act and are nearly identical with the respective German regulations. Therefore, it is assumed that Austrian courts will be guided by the respective German case law and we point to the German Group's group report, which summarizes the actual German case law.

In the opinion of the Austrian group in a case where a product, which as a whole is protected by a patent, shall be repaired by replacing a specific part, determining the borderline between permissible repair and infringing re-manufacturing of the product involves determining whether the inventive concept is embodied in the specific part to be replaced or repaired and additionally considering the typical use of the product.

5) Recycling of products protected by patents or designs

Under what conditions is a recycling of patented or design-protected products permitted under your national law? What factors should be considered and weighed? Does your law provide for a specific definition of the term "recycling" in this context?

Austrian national law is silent on the issue of recycling of products protected by patents or designs.

It seems that the definition of "recycling" as given in the working guidelines would predominantly refer to a re-manufacturing of the product, which according to the comments given under para. 4 would be considered as an infringement.

6) Products bearing trademarks

Concerning the repair or recycling of products such as reuse of articles with a protected trademark (see the examples hereabove), has your national law or practice established specific principles? Are there any special issues or case law that govern the exhaustion of trademark rights in your country in case of repair or recycling?

According to para. 10b of the Austrian Trademark Act exhaustion of trademark rights does not occur where there exist legitimate reasons for the trademark owner to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

A change in the condition of the goods has been affirmed by the Austrian Courts in a case where gas catridges have been re-filled by a third party without removing the original trademark.

7) IPR owners' intention and contractual restrictions

a) In determining whether recycling or repair of a patented product is permissible or not, does the express intention of the IPR owner play any role? For example, is it considered meaningful for the purpose of preventing the exhaustion of patent rights to have a marking stating that the product is to be used only once and disposed or returned after one-time use?

b) What would be conditions for such kind of intentions to be considered?

c) How decisive are other contractual restrictions in determining whether repair or recycling is permissible? For example, if a license agreement restricts the territory where a licensee can sell or ship products, a patentee may stop sale or shipment of those products by third parties outside the designated territory based on his patents. What would be the conditions for such restrictions to be valid?

d) Are there any other objective criteria that play a role besides or instead of factors such as the patentee's intention or contractual restrictions?

e) How does the situation and legal assessment differ in the case of designs or trademarks?

According to the ECJ decision C-16/03 "Peak Holding" the stipulation in a sales contract of a prohibition on reselling in the European Economic Area does not mean that there is no putting

on the market in the European Economic Area, and thus does not preclude the exhaustion of the proprietor's exclusive rights, in the event of resale in the European Economic Area in breach of the prohibition.

Therefore, the express intention, even in the form of a contract, of the rights holder does not have any influence on the exhaustion of the rights. Once the respective product has been put on the market (sold) by the rights holder or with his consent contractual restrictions that might exist do not have any influence on the exhaustion and thus do not have any influence on whether recycling or repair of a patented product is permissible or not. The situation might be different if the product was not sold, but only rented or leased, thereby imposing certain contractual restrictions.

8) Antitrust considerations

According to your national law, do antitrust considerations play any role in allowing third parties to recycle or repair products which are patented or protected by designs or which bear trademarks?

No specific national regulations are known. However, EC Regulation 772/2004 for technology transfer agreements applies.

9) Other factors to be considered

In the opinion of your Group, what factors, besides those mentioned in the Discussion section above, should be considered in order to reach a good policy balance between appropriate IP protection and public interest?

Not applicable.

10) Interface with copyrights or unfair competition

While the present Question is limited to patents, designs, and trademarks as noted in the Introduction above, does your Group have any comments with respect to the relationship between patent or design protection and copyrights or between trademarks and unfair competition relative to exhaustion and the repair and recycling of goods?

No comments.

11) Additional issues

In the opinion of your Group, what would be further existing problems associated with recycling and repair of IPR-protected products which have not been touched by these Working Guidelines?

II) Proposals for uniform rules

1) What should be the conditions under which patent rights, design rights and trademark rights are exhausted in cases of repair and recycling of goods?

The exclusive rights should be exhausted to an extent that the owner of the right has been compensated by the first sale of the respective product. If repairing involves using the invention or a significant feature of the invention, the owner should again be compensated.

Regarding trademark rights, the legitimate interest of the trademark owner to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market, should additionally be taken into consideration.

2) *Should the repair and the recycling of goods be allowed under the concept of an implied license?*

No. A license is not a proper means for regulating the allowable repair or recycling of a product that has been put on the market by the rights owner.

3) *Where and how should a line be drawn between permissible recycling, repair and reuse of IP-protected products against prohibited reconstruction or infringement of patents, designs and trademarks?*

In a case where a product, which as a whole is protected by a patent or a design, shall be repaired by replacing a specific part, determining the borderline between permissible repair and infringing re-manufacturing of the product involves determining whether the inventive concept is embodied in the specific part to be replaced or repaired and additionally considering the typical use of the product.

4) *What effect should the intent of IPR holders and contractual restrictions have on the exhaustion of IPRs with respect to recycling and repair of protected goods?*

See para 2) above.

5) *Should antitrust issues be considered specifically in cases of repair or recycling of goods? If so, to what extent and under which conditions?*

No remarks.

6) *The Groups are invited to suggest any further issues that should be subject of future harmonization concerning recycling, repair and reuse of IP-protected products.*

No remarks.

7) *Based on answers to items 1 to 6 above, the Groups are also invited to provide their opinions about how future harmonization should be achieved.*

No remarks.

Summary

In a case where a product, which as a whole is protected by a patent, shall be repaired by replacing a specific part, determining the borderline between permissible repair and infringing re-manufacturing of the product involves determining whether the inventive concept is embodied in the specific part to be replaced or repaired and additionally considering the typical use of the product.

Recycling in the predominant part of cases will be considered as re-manufacturing and therefore the concept of exhaustion will not apply.

Regarding trademark rights, the legitimate interest of the trademark owner to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market, should additionally be taken into consideration.